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C O N F I D E N T I A L SECTION 01 OF 02 KYIV 002392

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TAGS: [ETRD](#) [WTRO](#) [KG](#) [UP](#)

SUBJECT: UKRAINE'S WTO NEGOTIATOR WANTS TO WRAP UP  
ACCESSION BUT IS WORRIED ABOUT KYRGYZSTAN BILAT

REF: A. KLEIN-YARNELL EMAIL OF 9/17

[1](#)B. KYIV 331

[1](#)C. 2006 BISHKEK 956

[1](#)D. 2006 STATE 106703

Classified By: ECONOMIC COUNSELOR DOUGLAS KRAMER, REASONS 1.4 B) AND D)

[1](#)1. (C) Summary: During a September 17 meeting, Ukraine's lead WTO negotiator Valeriy Pyatnytskiy complained that talks with Kyrgyzstan on a WTO bilateral agreement had stalled. Kyrgyzstan had rejected Ukraine's most recent proposal, and Pyatnytskiy believed that "one or more third parties" were behind the Kyrgyz position. Pyatnytskiy was more positive on resolving outstanding U.S. issues; Econ Counselor highlighted SPS and TBT as areas of particular concern and noted continued resistance from a few sub-Cabinet GOU bodies. Pyatnytskiy said he wanted to coordinate closely with the EU and USG on outstanding issues in the hopes of having a final, complete package of legislative changes ready for the new parliament. End Summary.

[1](#)2. (U) Econ Counselor and Econoff met on September 17 with Valeriy Pyatnytskiy, Deputy Minister of Economy and Ukraine's lead WTO negotiator, to review outstanding accession issues.

Kyrgyz Reject Ukrainian Proposal  
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[1](#)3. (C) Pyatnytskiy expressed concern that negotiations for a Market Access Agreement with Kyrgyzstan, the only WTO bilateral agreement still unsigned, had all but collapsed. In late August the Kyrgyz Ministry of Finance formally rejected the Ukrainian proposal for an agreement -- which called for repaying most of the debt claimed by the GOK under the guise of in-kind technical assistance to Kyrgyzstan -- and canceled a Memorandum of Understanding on the way forward for negotiations, which had been initialed by both sides back in May. (Note: Kyrgyzstan has demanded repayment from Ukraine of some \$27 million of Soviet-area debt (ref B); the Ukrainians are unwilling to recognize this debt as state debt, as doing so could have implications for similar disputes with other countries. End Note.) Pyatnytskiy said the Kyrgyz rejected the proposal on the grounds that it did not include the full \$27 million, and that it failed to ensure payment to the GOK by the end of 2007, although they did not object in principle to using in-kind assistance as a

means to resolve the dispute. Pyatnytskiy noted that it would be impossible for the GOU to repay using technical assistance in so short a time period given budgetary (there is no budget allocation in their 2007 budget) and legal constraints.

14. (SBU) Pyatnytskiy confirmed that the Kyrgyz had at times raised other demands, such as lowered tariffs on various products. Pyatnytskiy complained that these demands made no sense, since Ukraine already maintained zero duties for all Kyrgyz products, with no products exempted, as stipulated by their Free Trade Agreement. The only exception to this rule was Kyrgyz light bulbs, against which Ukraine currently employed safeguard measures in line with its domestic trade remedy laws. Pyatnytskiy said the GOU was willing to consider lifting of these safeguards, and probably would do so by the end of 2007. However, he noted the Kyrgyz had not shown enough interest to even apply for a review of the safeguards. Even so, the GOU had begun a review of the safeguards on its own.

#### Third Party Behind Kyrgyz Stalling?

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15. (C) Pyatnytskiy commented that he believed the Kyrgyz were simply trying to stall Ukraine's accession, likely at the behest of "one or more third parties." As evidence, he noted that the Kyrgyz Ministry of Finance had officially authorized a Kazakh national to negotiate the debt issue on Kyrgyzstan's behalf. His personal hunch was the Kyrgyz would not settle the bilateral, even if the GOU were to pay the entire \$27 million claim in cash right now. Pyatnytskiy opined that continuing bilateral negotiations did not make sense, and said he may request that the WTO Secretariat organize some kind of plurilateral mediation to involve interested third parties. He also said that the GOU was considering sending

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an official request for assistance to USTR Schwab, along with the complete "dossier" on the Kyrgyz negotiations, and asked for USG advice on how to proceed.

#### Outstanding USG Issues

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16. (SBU) Drawing on Ref A points, Econ Counselor expressed USG commitment to resolve outstanding bilateral issues quickly, highlighting Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT) as areas of greatest concern. Pyatnytskiy characterized Ukraine's SPS and TBT legislation as "generally compatible with WTO norms" and said that enforcement, which could not be fixed overnight, was the real challenge. He also reconfirmed Ukraine's commitment to repeal Cabinet of Ministers Resolution No. 985 on labeling of biotechnology products, to be replaced by a new regulation that the GOU would develop in consultation with trading partners.

17. (C) Econ Counselor expressed concern at comments made by Oleksandr Shynpko, head of the State Standards Committee, during a September 11 meeting with the American Chamber of Commerce. Shynpko had argued that some WTO requirements, such as the elimination of mandatory certification for imported food products, would endanger Ukrainian consumers. Pyatnytskiy recognized that Shynpko's comments were not in line with GOU policy and suggested the transgression was a result of Shynpko's limited time on the job. Pyatnytskiy also suggested that members of the Veterinary Service participate in consultations with USTR and USDA officials when they are in the United States for upcoming sanitary inspections.

#### EU Issues - Ukraine Gives up on Energy Transit Issue

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18. (C) Pyatnytskiy briefed us on outstanding issues in

Ukraine's negotiations with the EU. The EU was focused on SPS, TBT, and Geographical Indications (GIs), and Ukraine wanted to work with the EU and USG simultaneously on these issues. An agreement on GIs was particularly pressing, so that the GOU could finalize its draft legislative amendment. The GOU was willing to lift its opposition to a reference to energy in the Working Party Report's commitment language for Trade in Transit, he said. The EU's request for a commitment to bind reductions in export duties remained unresolved, however.

#### Timeline

19. (SBU) Pyatnytskiy expressed a strong commitment to wrap up the accession process quickly, preferably before the New Year. He hoped that the GOU would manage to pass roughly 70 percent of the outstanding regulatory acts by the end of September. The Ministry of Economy was also working feverishly on draft legislation, he said, with the goal of submitting a complete, final package of necessary legislation, including the ratification, as soon as a new Rada (parliament) took office following the September 30 elections. Pyatnytskiy said he wanted the Working Party to meet again in early October in order to keep to this aggressive timeline.

#### Comment: Missing Kyrgyz Bilat Now a Barrier

10. (C) Bilateral agreement with Kyrgyzstan has long been on the list of outstanding items, but only recently has it emerged as a serious obstacle to accession. The lack of an agreement is now delaying accession work, as the WTO Secretariat cannot move forward on consolidating the goods

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schedule until an agreement is reached. While Pyatnytskiy occasionally has a tendency to over-dramatize, it is clear his frustrations in this case are genuine. Post will continue to explore with the GOU, Embassy Bishkek, and Washington how we might help move the process forward.  
Taylor